



Minnesota Department of Human Rights  
540 Fairview Ave N, Suite 201  
St. Paul, MN 55104

January 31, 2020

Elizabeth Lincoln, Director  
Minnesota Legislative Reference Library  
645 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, MN 55155-1050

Dear Director Lincoln:

The Minnesota Department of Human Rights (MDHR) submits this equal pay certificate report as its even year report to the governor and the chairs and ranking minority members of the committees in the Minnesota Senate and the House of Representatives with primary jurisdiction over the department. The period for which this report covers is January 1, 2018 to December 31, 2019. This report is required to be submitted every other year under Minn. Stat. § 363A.44 Subd. 10. Amongst other responsibilities, this report will show that the department issued 1,349 equal pay certificates and completed 136 audits during the reporting period.

### **Introduction**

The following sections provide information regarding which state contractors are required to obtain a certificate, the number of equal pay certificates issued during this reporting period, the number of equal pay audits conducted during this reporting period, a summary of the department's auditing efforts, and a narrative about what information the department collects to address a contractor's compensation processes.

### **Equal Pay Certificate**

Any contractor that has 40 or more employees in the state of its principal place of business must have an equal pay certificate whenever it enters into an agreement that is likely to exceed \$500,000 with a department or agency of the State of Minnesota, the Metropolitan Council, the Minnesota Sports Facility Authority, the Metropolitan Airports Commission, or the Metropolitan Mosquito Control Commission.<sup>1</sup> Equal Pay Certificates are valid for four years.<sup>2</sup>

There are two exceptions to the general rule for a contractor to have an equal pay certificate. The first exception is when the contractor has a license, certification, registration, provider agreement

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<sup>1</sup> Minn. Stat. § 363A.44, Subd. 1(a).

<sup>2</sup> Id.

or provider enrollment contract and is **only** providing goods and services to individuals under one of the following chapters: 43A, 62A, 62C, 62D, 62E, 256I, 256L or 268A.<sup>3</sup> The second exception is when the contractor has entered into a contract with the State Board of Investment for investment options under Minn. Stat. § 352.965, Subd. 4.<sup>4</sup> In addition to these exceptions, the Commissioner of Administration may also grant an undue hardship exemption for a specific contract.<sup>5</sup>

### **Equal Pay Certificate Application**

A contractor may obtain an equal pay certificate by paying a \$150 filing fee and submitting an equal pay compliance statement with the commissioner.<sup>6</sup> The equal pay compliance statement must be signed by the chief executive officer or chairperson of the board.<sup>7</sup> MDHR has published, on its website, an equal pay compliance statement for contractors to use. However, there is no obligation for a contractor to use the sample equal pay compliance statement. The commissioner must issue an equal pay certificate or state why the department denied the application within 15 days of submission of the application.<sup>8</sup>

The equal pay compliance statement, in part, requires the contractor's chief executive officer or board chairperson to identify or state that it:

- Complies with Title VII of the Civil Rights Act of 1964, Equal Pay Act of 1963, the Minnesota Human Rights Act and Minnesota Equal Pay of Equal Work Law;
- Does not segregate women into certain job classifications;
- Makes retention and promotion decisions without regard to sex;
- Promptly corrects compensation and benefits disparities;
- Identify how often it evaluates its compensation practices; and
- Identify how it sets compensation and benefits<sup>9</sup>

### **Equal Pay Certificates Issued**

During the reporting period the department issued 1,349 equal pay certificates.

### **Audits Conducted and Auditing Efforts**

MDHR completed 136 equal pay compliance audits during the relevant reporting period, with 15 more currently in process.

When conducting its auditing efforts, the department asks contractors it identifies for an audit to provide information about the compensation provided to employees working on state contracts. Compensation includes salary, incentive pay, bonuses, and benefits paid. The department requests documentation of the contractor's last wage analysis to ensure the contractor is consistently reviewing their compensation practices and applying any changes consistently.

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<sup>3</sup> Minn. Stat. § 363A.44, Subd. 1(b).

<sup>4</sup> Id.

<sup>5</sup> Id.

<sup>6</sup> Minn. Stat. § 363A.44, Subd. 2(a).

<sup>7</sup> Id.

<sup>8</sup> Minn. Stat. § 363A.44, Subd. 3.

<sup>9</sup> Minn. Stat. § 363A.44, Subd. 2.

### **Compensation Practices**

In analyzing the compensation practices of a contractor, the department appreciates that setting an employee's compensation and benefits is a complex process. When conducting its analysis, the department will group employees who perform substantially equal work by using factors such as EEO-1 job code, job title, seniority, education, experience, and pay grade in order to analyze outcomes and determine any pay gaps.

The department also uses information provided by the contractor on the criteria they use to determine starting wages. For example, the department asks contractors how often (one year, two years, three years, or "other") they evaluate wages and benefits to ensure compliance with equal pay laws. The department also asks contractors to delineate the numerous ways they determine their employee's respective compensations (options provided are: market pricing approach, state prevailing wage or union contract requirements, performance pay system, an internal analysis, or other specified methods). The department will analyze these responses for best practices and evaluate how their respectively stated compensation preferences are impacting any equal pay disparities.

### **Conclusion**

MDHR takes great pride in reviewing, monitoring, and ensuring that contractors with the State of Minnesota are paying their employees equitably. The department's mission is to make Minnesota discrimination free and monitoring equal pay certificate compliance is a critical component in achieving this goal.

Sincerely,



Rebecca Lucero  
Commissioner

cc:

Governor Tim Walz  
Emily Lefholz, Office of Governor Tim Walz and Lt. Governor Peggy Flanagan  
Representative John Lesch  
Representative Peggy Scott  
Senator Warren Limmer  
Senator Ron Latz